

IRS News Release

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RALs Removed on Free File; 93 Million Eligible for Program

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WASHINGTON — The successful and innovative Free File program launches its fifth year in January with an agreement by private sector partners to remove ancillary offerings such as Refund Anticipation Loans (RALs) from the program.

Free File is a partnership between the Internal Revenue Service and the Free File Alliance, a coalition of tax preparation software manufacturers who make their software products available to eligible taxpayers for free and provide free Federal return electronic filing. The Free File software products are the same as their commercial products.

For 2007, taxpayers who earn \$52,000 or less will be able to find a Free File offer for which they are eligible. This means 70 percent of all taxpayers – 93 million people – will be eligible for Free File.

"We heard many legitimate concerns about the marketing of ancillary products during the last filing season," said IRS Commissioner Mark W. Everson. "This is a constructive step."

Free File Alliance Executive Director Tim Hugo said: "Each year, the Free File Alliance has sought to improve a program that is now eligible to over 93 million Americans. Today, with the voluntary elimination of RAL's and ancillary products, the Free File Alliance takes another giant leap forward on behalf of the taxpaying public."

More than 15.4 million tax returns have been prepared and submitted through Free File since it debuted during the 2003 filing season. Preparation and e-filing of federal tax returns have been free since the inception of Free File. However, manufacturers have offered refund anticipation loans and other products for which they charge a fee. RALs use a taxpayer's refund as collateral for a same-day, interest-charging loan.

Taxpayers must enter Free File through the IRS Web site. The Free File Alliance may still offer customers the option of having their state tax return prepared for a fee. Some Alliance members are offering the state return for free as well.

Some alliance members also will provide free access to Form 1040EZ-T for those people who have no legal obligation to file a tax return but who can request the one-time telephone excise tax refund. In addition, taxpayers can use Free File to file a Form

4868, Application for Automatic Extension of Time to File. Some alliance members offer their Free File software in Spanish.

The latest agreement to remove ancillary product offers improves on an already solid foundation for the Free File program. Earlier this year, taxpayers responding to a survey reported an overwhelming level of satisfaction with the program.

According to the survey, 94 percent said they intend to use Free File again next year, 94 percent said they found Free File very easy or somewhat easy to use and 97 percent said they would recommend Free File to others. Convenience, not the free cost, was the most appealing factor of Free File.

Only 6 percent of the Free File users purchased an ancillary product from a software provider, but half of those said that their purchase was not intended. Also, IRS' own data reveals that only 0.5 percent of the Free File users requested a refund anticipation loan (RAL).

Russell Research, a market research firm contracted by the IRS, conducted a telephone survey of 1,800 taxpayers who used Free File during 2006. The poll was conducted during May and June of this year. The typical Free File user was a 40-year-old woman (57 percent female/43 percent male) who prepared both federal and state tax returns with Free File and had used Free File the previous tax year.

"This survey confirms what we've known anecdotally for four years: taxpayers like Free File. This level of public satisfaction with Free File is just astounding," Everson said. "This innovative program combines the best of the private and public sectors to provide real value to the taxpayers. With this latest agreement, we've made a great program even better."